

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 COME-00 PM-07 L-03 CIAE-00 INR-11

NSAE-00 RSC-01 SP-03 SAJ-01 OMB-01 ACDA-19 TRSE-00

MC-02 DRC-01 /086 W

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FM USMISSION NATO

TO USNHLO PARIS PRIORITY

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SECDEF WASHDC

UNCLAS USNATO 4399

E.O. 11652: NA

TAGS: MCAP, NATO

SUBJECT: VARIAN PROTEST ON KLYSTRON PROCUREMENT

FOLLOWING TELEX DATED 7 AUG 74 TO US MISSION FROM VARIAN ASSOCIATES, PALO ALTO CALIFORNIA, RETRANSMITTED AS PERTINENT TO YOUR CURRENT INVESTIGATION:

BEGIN TEXT:

INFORMATION RECEIVED IN OUR TELECON TODAY AND YOUR EFFORTS ON OUR BEHALF ARE GREATLY APPRECIATED.

FOLLOWING IS A BRIEF HISTORY AND PERTINENT DATA RELATING TO OUR PROTEST REGARDING NAMSA RFQ REF PP-H/NO 031 WHICH WAS LODGED VIA MR STRAUSS LEON.

THERE HAVE BEEN TWO CALLS FOR TENDER ISSUED BY NAMSA FOR POWER KLYSTRONS, PART NO 10176190, NAMSA STOCK NO 5960 00 913 3348. TWO MANUFACTURERS ARE QUALIFIED SUPPLIERS. VARIAN KLYSTRON VA-868A AND T-CSF KLYSTRON TV-851D.

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FIRST TENDER WAS NHLOG/OSA/1176 ISSUED ON AUGUST 21, 1973 REQUESTING QUOTE ON 280 PIECES. CLOSING DATE WAS OCT 10, 1973. VARIAN HAD NEVER BEEN SOLICITED TO QUOTE TO THIS REQUIREMENT PRIOR TO THIS TENDER AND A NEW YORK EXPORTING FIRM - MINTHORNE INTERNATIONAL - WAS INSTRUMENTAL IN GETTING VARIAN PLACED ON BIDDERS LIST. THEREFORE WE ELECTED TO RESPOND THRU MINTHORNE ALLOWING

THEM TO BID ON OUR BEHALF. OUR QUOTE TO MINTHORNE WAS US DLRS 2925 PER TUBE. MINTHORNE MARKED UP THE PRICE AND QUOTE US DLRS 3250 PER TUBE TO NAMSA. THIS TENDER WAS CANCELLED SOMETIME IN LATE NOV 1973 AND WERE ADVISED NEW TENDER WOULD BE ISSUED WITHIN NEXT FEW MONTHS.

SECOND TENDER - THE ONE WE ARE NOW PROTESTING - WAS ISSUED IN MARCH 1974 UNDER REF PP-H/NO 031. IT CALLED FOR 400 PCS WITH CLOSING DATE OF 10 MAY 74. SINCE I HAD VISITED NATO/NAMSA PERSONNEL IN JANUARY AND WAS INFORMED QUITE EMPHATICALLY THAT NAMSA WANTED TO DEAL DIRECT WITH SUPPLIERS WITH NO THIRD PARTY INVOLVEMENT, VARIAN RESPONDED DIRECT TO NAMSA WITH FOLLOWING BID PRICES:

US DLRS 2,705 EACH FOR PALO ALTO, CALIF

US DLRS 2,800 EACH CIF CAPELLAN

OUR PRICE STRUCTURE WAS CONSISTENT IN THAT WE BID DLRS 2925 EACH ON QTY 280 PCS ON FIRST TENDER AND DLRS 2800 EACH ON QTY 400 PCS ON SECOND TENDER.

VARIAN IS SOLE SUPPLIER OF THIS KLYSTRON TO U.S. GOVERNMENT. OVER PAST FEW YEARS OUR ONLY ACTIVITY HAS BEEN IN REPAIR WORK. NO NEW TUBES HAVE BEEN SOLD TO U.S. GOVERNMENT SINCE 1970.

REQUIREMENT FOR NEW TUBES WOULD BE ON NEGOTIATED BASIS AND PRICE TO U.S. GOVERNMENT WILL NOT BE HIGHER THAN THOSE QUOTED ABOVE FOR SIMILAR QUANTITIES FOR AT LEAST NEXT 6 TO 8 MONTHS.

IT SHOULD BE POINTED OUT THAT WE HAVE HAD NO OFFICIAL COMMUNICATION WITH NAMSA SINCE OUR BID WAS SUBMITTED. WE HAVE NOT HAD AN OPPORTUNITY TO DEFEND OUR POSITION ON ANY CHARGES OR REQUEST TO EXPLAIN ANY SEEMING AMBIGUITIES. NOR HAVE WE BEEN ASKED IF UNCLASSIFIED

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WE WOULD BE WILLING TO PURCHASE USED TUBES. IN SHORT WE BELIEVE THAT T-CSF HAS BEEN ALLOWED THE UNFAIR ADVANTAGE OF NEGOTIATING NEW ARRANGEMENTS AFTER THE BID CLOSING DATE, AND IN THE EVENT AN AWARD HAS ALREADY BEEN MADE, WE BELIEVE THIS ALONE SHOULD BE SUFFICIENT TO HAVE THE AWARD SET ASIDE FOR INVESTIGATION.

WE HAVE NO INFORMATION WHICH LEADS US TO BELIEVE THAT AN AWARD HAS BEEN MADE ON THIS TENDER AND WILL SINCERELY APPRECIATE A MAXIMUM EFFORT BY YOUR GROUP TO INTERVENE ON OUR BEHALF TO INSURE THAT A FAIR AND EQUITABLE DECISION IS MADE ON THIS LARGE TENDER.

TO INSURE THAT NO CONFUSION EXISTS, I WANT TO EXPLAIN THAT FOLLOWING OUR PROTEST TO MR LEON ON THE POWER KLYSTRON TENDER COVERED ABOVE, WE DISCUSSED WITH HIM A NEW TENDER WHICH HAS NOT YET CLOSED. THIS NEW ONE IS FOR 845 REFLEX KLYSTRONS, TYPE 09177161 ON NSMSA REFERENCE RFQ PP-H/NO 72 WHICH IS FOR THE NATO HAWK. WITH MR LEON'S CONCURRENCE WE PROVIDED ADVANCE INFORMATION ON THIS HAWK TENDER IN ORDER THAT THE BEST EFFORT COULD BE MADE FROM THE START TO PREVENT ANY BIASED PROCUREMENT PRACTICE FROM DETERMINING THE

AWARD. I KNOW YOU HAVE A MESSAGE FROM MR LEON ON THIS. WE WOULD GREATLY APPRECIATE ANY ASSISTANCE YOUR OFFICE CAN PROVIDE ON THIS SECOND MATTER, HOWEVER OUR MAJOR CONCERN STILL RESTS WITH THE AS YET TO BE AWARDED POWER KLYSTRON CONTRACT.

VARIAN HAS A SALES OFFICE IN AMSTERDAM RESPONSIBLE FOR THE SALE OF OUR PRODUCT TO NAMSA. I HAVE ASKED OUR MARKETING ENGINEER, MR C BUIJS, TO CONTACT YOU TO ASSIST IN ANY WAY POSSIBLE IN YOUR EFFORTS ON OUR BEHALF.

INCIDENTALLY, I WOULD LIKE TO NOTE THAT MR BUIJS AND I HAD THE PLEASURE OF MEETING MR STANLEY BACK AND COL LYNCH LAST JANUARY FOLLOWING OUR VISIT TO NAMSA IN LUXEMBOURG AND FOUND THEM MOST COOPERATIVE. OUR VISITS WERE RELATED TO THESE TENDERS AND OUR APPREHENSION REGARDING THE SELECTION PROCESS. THE INFORMATION RECEIVED AT NAMSA ENCOURAGED OUR PARTICIPATION, BUT GAVE NO HINT THAT HIGHLY FAVORABLE PRICE COULD STILL BE UNSUCCESSFUL

/S/ EYESTONE.

END TEXT.

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